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STATE FOR SA/INS AND DS/IP/NEA
STATE ALSO PLEASE PASS USAID/DCHA/OFDA
STATE ALSO PLEASE PASS PEACE CORPS HQ
USAID FOR ANE/AA GORDON WEST AND JIM BEVER
MANILA FOR USAID/DCHA/OFDA
LONDON FOR POL/GURNEY
TREASURY FOR GENERAL COUNSEL/DAUFHAUSER AND DAS JZARATE
TREASURY ALSO FOR OFAC/RNEWCOMB AND TASK FORCE ON TERRORIST
FINANCING
JUSTICE FOR OFFICE OF THE DEPUTY ATTORNEY GENERAL/DLAUFMAN
NSC FOR MILLARD
SECDEF FOR OSD/ISA LILIENFELD

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SUBJECT: UPDATE ON NEPAL'S MAOIST INSURGENCY, JULY 19-25

REFERENCE: KATHMANDU 1388

SUMMARY

¶1. Maoist leaders responded to the Government of Nepal's (GON) invitation to sit for a third round of talks by issuing more demands as a prerequisite to dialogue (Reftel). The GON maintains that the peace process is not in jeopardy, but senior Maoist leaders increasingly talk of notably absent from Kathmandu amid reports of their attendance at a regional conference in India of the Revolutionary Internationalist Movement (RIM). The Indian Ambassador to Nepal acknowledged to reporters on July 25 that there was cooperation between Maoists in Nepal and terrorist groups in India. Security forces reportedly have been put on high alert amid concern over increasing Maoist activities, and the possible failure of peace talks, which a high-ranking police official was quoted as saying would result in "colossal casualties." A female Maoist was shot to death on July 25 during a confrontation with security forces.

¶2. Summary continued. International donor agencies have expressed concern that the Maoists will resume hostilities, causing essential development projects to be halted. Maoist extortion demands to the United Mission to Nepal (UMN), an umbrella organization of inter-faith professionals providing medical assistance and development projects, has caused programs to be shut down. The Industrial Security Group (ISG) issued a statement on July 21 demanding an immediate end to extortion by the Maoists. Citing GON harassment, the Maoists closed down their Kathmandu contact office. Maoists continue to extort money from civilians and businesses, and reportedly murdered a retired policeman in the eastern district of Ilam after he refused to donate money and food to them. Maoists abducted thirteen civilians in four separate districts over a five-day period. End Summary.

MAOISTS ISSUE MORE PRECONDITIONS FOR FURTHER PEACE TALKS

¶13. In response to the GON's formal invitation to sit for a third round of talks (Reftel), Maoist leaders declared there is no reason to continue peace negotiations until the GON immediately implements agreements allegedly reached during the second round of talks. These agreements include the controversial issue of restricting the Royal Nepal Army (RNA) to within five kilometers of its barracks, the release of senior Maoist leaders, and publication of the whereabouts of missing Maoist cadres. In a statement issued through peace talks facilitators on July 23, Baburam Bhattarai, head of the Maoist negotiating team, said the non-implementation of those alleged agreements is "tantamount to the unilateral end of the ceasefire and peace dialogue." Bhattarai reportedly also demanded that the King play a direct role in the talks, or provide a public statement authorizing full authority to the GON's negotiating team, which Bhattarai lambasted as "powerless and helpless."

¶14. In their response Maoists continued their rhetoric against the USG and the RNA, demanding the "immediate expulsion of all U.S. military advisors and experts" as a prerequisite for continued dialogue. In a scathing criticism, Maoists accused the RNA of turning itself into the "Royal American Army," and alleged the establishment of a "foreign puppet military regime."

¶15. Kamal Thapa, Minister of Information and Communication, and head of the GON's negotiating team, confirmed that the GON had received the Maoists' response, and that it would

be studied very carefully. Minister Thapa indicated that the talks might be delayed because the Maoist demands are "every tough." The GON is expected to issue a reply within the next few days.

CONFLICTING MESSAGES

16. The Maoist refusal to sit for another round of talks, which the GON has continually promised would be held soon, illustrates the very different perceptions of the peace process held by the two sides. Minister Thapa, who has consistently maintained the GON's commitment to the peace process, said on July 22 that "there is no obstructions" to a third round of talks, and that the GON had maintained "maximum flexibility" during the six-month ceasefire. Thapa cited six informal talks with the Maoists as proof that the peace process has not been derailed, and said the GON was determined to hold talks "at any cost."

17. Senior Maoist leaders, however, seem to have a different view of the direction of the talks. Ram Bahadur Thapa (Badal), Maoist military chief and negotiating team member, declared on July 18 that a third round of talks was "impossible" unless the RNA's movements were restricted. Maoist rhetoric has increasingly referenced a return to the jungle and a "decisive war" if peace talks fail.

MAOISTS MEET REVOLUTIONARY GROUP IN INDIA

18. On July 14 senior-level Maoists reportedly attended the regional conference of the Revolutionary Internationalist Movement (RIM) held for the first time somewhere in the bred areas (Maoist controlled) of India, including the states of Bihar, Chattisgarh, Orrissa and Jharkhand. Pushpa Kamal Dahal (Prachanda), Maoist Chairman, and Baburam Bhattarai reportedly attended along with Dev Gurung, senior Maoist and negotiating team member. Other groups from India and Bangladesh. The conference hailed the Maoist-led peoples' wars in Nepal, Peru, India, Turkey and the Philippines, and praised the advances made against alleged American imperialism and Indian expansionism. A statement released at the conclusion of the RIM meeting said the Maoist-led wars are the "beginning of a proletariat movement in the world." (Note: The continued absence of senior Maoist leaders in recent weeks has fueled speculation that they have gone underground in India, meeting with various organizations to garnet support. End note).

19. Shyam Sharan, the Indian Ambassador to Nepal, told reporters on July 25 that his government will not allow anti-Nepal activity on its soil. Ambassador Sharan acknowledged there was cooperation between Maoists in Nepal and terrorist groups in India, declaring that "we know that the Maoists were working together in drawing action plans with terrorist organizations" in Bihar, Andhra Pradesh and Orissa. He said in order to take effective action against the Maoists, a better exchange of information between the two governments was needed.

10. In addition to traveling to India, Pushpa Kamal Dahal (Prachanda), Maoist Chairman, reportedly has been meeting with various ethnic groups in Nepal. Even before returning to India, Prachanda reportedly attended a rally of the "Tharu Liberation Front," a tribal organization concentrated in the southern lowlands. According to the Kirant National Front (KNF), a Maoist affiliated ethnic political organization, Pracha nda subsequently inaugurated the group's first national convention, and reportedly declared that the strategy for the next phase of the insurgency in Nepal would be different. Speculation persists that the Maoist Chairman is attempting to stir up ethnic revolutionary fervor. On July 23 it was announced that the KNF had merged with the Kirant Workers' Party to form the Unified Kirant Front, and then promptly demanded "Kirant autonomy" in the eastern part of Nepal.

SECURITY INCREASED

11. A female Maoist was shot to death on July 25 during a confrontation with security forces in the far western district of Kalikot. A joint team of army and police personnel were on routine patrol when Maoists allegedly attacked them. Colonel Dipak Gurung, RNA spokesman, said his forces had to return fire in self-defense, and condemned the attack as "a serious violations" of the over increasing Maoist activities. The local press quoted an unnamed government official on July 23 as saying that the GON has ordered all security personnel on leave to return to their bases. Security personnel reportedly have been told also to monitor and, if necessary, restrict the purchases of pressure cookers and iron pipes, items used

extensively in the past by Maoists to make bombs.

¶12. Security reportedly has been increased also in the Kathmandu Valley and in the western region of Nepal, particularly after the closure of the Maoists' office in the capital. Joint teams of army and police personnel have intensified patrols and security checkpoints in the districts of Rolpa, where Maoists reportedly have continued to extort and abduct, as well as Doti and Dang, a Maoist stronghold. A Maoist program scheduled for July 21 in Dang was banned by local officials, who cited security concerns. In response to reports of increased Maoist activities in Dipayal District, security personnel have imposed curfews, resumed checkpoints and resorted to frisking of travelers. Security personnel said they are following orders from their high command. Many of the villagers, fearing a resumption of hostilities, have fled.

¶13. A high-ranking police official was quoted in the local press on July 21 as saying that the Maoists have increased their military strength and could possibly switch tactics, targeting urban areas and district headquarters instead of returning to the jungle. The official warned that the Maoists would target urban areas "to meet their financial needs," and that if the peace talks failed it would result in "colossal casualties."

¶14. According to reports, Nepal Electric Authority (NEA) has handed over security of major power projects to the RNA. The RNA has been responsible for the security of several power plants since the Maoists destroyed nine of them during the declared state of emergency last year.

INTERNATIONAL DONORS CONCERNED OVER STALLED PEACE TALKS

¶15. As the peace negotiations remain stalled, international donor agencies have expressed concern that the Maoists will resume hostilities. On July 21 David Wood, head of DFID Nepal, the British Government agency for international development, declared that it was essential for Nepal to sustain the peace process, noting that peace "is a prerequisite for progress." He said the possibility that the Maoists will return to violence is "extremely worrying."

¶16. Henning Karcher, resident representative of the United Nations Development Program (UNDP), echoed the need for peace before development projects could be successful, saying that progress could not be achieved in developing Nepal "unless the conflict is resolved." Karcher also reiterated the need for a human rights accord. On July 19, the National Human Rights Commission (NHRC) again condemned both the GON and the Maoists for failing to respond to its draft of a human rights accord.

MAOISTS EXTORTING FROM DEVELOPMENT AGENCIES

¶17. Maoists in the western district of Dailekh reportedly threatened violence against a development agency if it did not pay them USD 4000. The United Mission to Nepal (UMN), an umbrella organization of inter-faith professionals providing medical and development assistance, was warned by the insurgents to leave the district unless payment was made. Maoists had forced the UMN to suspend all its projects two years ago after the insurgents looted supplies and disrupted programs, but the organization later resumed its projects, which include humanitarian assistance and infrastructure development. An official of the UMN told the local press on July 24 that it has decided to shut down again because it cannot meet the extortion demand. The organization includes seventy-five American volunteers and employs over two hundred local youths.

¶18. Extortion demands by the insurgents have caused bus service to stop completely in some parts of the western district of Surkhet. Due to increasing demands for donations from bus drivers, the Mid-Western Bus Entrepreneurs Association has stopped service along some routes. The insurgents reportedly wanted a "donation" of almost USD 350 from each bus.

ISG DEMANDS END TO EXTORTION

¶19. A statement issued on July 21 by the Industrial Security Group (ISG), consisting of bilateral Chambers of Commerce and representatives of the U.S., British, Indian, German and French embassies, called for an immediate end to extortion by the Maoists. The ISG also called upon the GON to address the numerous violations of the code of conduct committed by the insurgents at the next round of peace negotiations. In addition to extortion, which has increased substantially since the ceasefire was declared,

the statement also cites Maoist interference with
MAOISTS CLOSE KATHMANDU OFFICE

¶20. Maoists closed their office in Kathmandu on July 20, alleging that it was under the "constant watch of the government's security forces." The move follows the detention of Bharat Dhungana, head of the office, by security forces on July 17. Dhungana claimed that he was handcuffed and held for five hours. In a statement released by Dhungana on July 21, he accused the GON of keeping him and the office under twenty-four-hour surveillance, and criticized the GON for failing to guarantee the security of the office. The insurgents have demanded a public apology from the GON before they would reopen the office.

¶21. Kamal Thapa, Minister of Information and Communications, and member of the GON's peace talks team, said the GON was "shocked" that the Maoists had closed the office, but refuted the accusations of Dhungana, saying that the GON consistently has assured the security of Maoist cadres, and "promised to work to strengthen security if there are flaws." Minister Thapa dismissed the closing of the office as a "pressure tactics" by the insurgents, and said security forces took Dhungana in for questioning after he was implicated in extortion campaigns.

BADAL JUSTIFIES CODE OF CONDUCT VIOLATIONS

¶22. In an interview with the Nepali press on July 17, Badal, Maoist military chief, denied that Maoist cadres were violating the code of conduct. Badal refuted charges of abducting civilians, saying that the Maoists have only taken action against "fake Maoists," and accused members of the Communist Party of Nepal-United Marxist Leninist (CPN-UML) of pretending to be Maoists in order to "tarnish our image." Badal admitted taking money from people, but insisted that it was given voluntarily. The military chief defiantly declared that the Maoists have laid down arms but not given them up, and warned the RNA that it would be a mistake to think the Maoists would relinquish their weapons.

MAOISTS MURDER RETIRED
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¶23. On July 18 a group of Maoists reportedly murdered a retired policeman in the eastern district of Ilam after he refused to donate money and food to the insurgents. Ministry issued a statement on July 18 condemning the murder, and warning that such incidents could adversely affect peace talks. On July 20 a group of insurgents in Parsa District reportedly threatened to kill a Nepali Congress (NC) activist if he does not provide them with weapons, ammunition and cash. On that same day in Bara District, Maoist cadres stole weapons and ammunition from three separate homes.

¶24. Maoists abducted thirteen civilians in four separate districts over a five-day period. On July 19 six people, including a two-year old child, were abducted by Maoists in the northeastern district of Sankhuwasabha. Their whereabouts remain unknown. On July 20 a twenty-two year old man was abducted from his home in southeastern Mahottari District, and a former Village Development Committee (VDC) chairman and CPN-UML activist was taken from his home in the northwestern region of Humla. In the western district of Baglung six people were abducted on July 24 by a group of armed Maoists.

MALINOWSKI